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RECORDATION NO. Filed & Recorded

DEC 15 1977 - 11 20 AM



CONTINENTAL BANK

INTERSTATE COMMERCE COMMISSION
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO • 231 SOUTH LA SALLE STREET, CHICAGO, ILLINOIS 60693

9124-A
RECORDATION NO. Filed & Recorded

DEC 15 1977 - 11 20 AM

INTERSTATE COMMERCE COMMISSION
Mr. Robert Oswald

Secretary

Interstate Commerce Commission

Washington, D.C. 20423

December 8, 1977

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9124
RECORDATION NO. Filed & Recorded DEC 15 1977

DEC 15 1977 - 11 20 AM

INTERSTATE COMMERCE COMMISSION

CC Washington, D. C.

Dear Mr. Oswald:

Pursuant to the order of the Interstate Commerce Commission, dated July 28, 1952, as amended, prescribing rules and regulations for filing documents for recordation under the provisions of Section 20(c) of the Interstate Commerce Act. These are transmitted herewith for recording with your Commission three (3) counterpart originals of a Security Agreement (Chattel Mortgage and Assignment of Rents) executed by PLM FLAT CAR PROGRAM 1976 (Borrower) and PROFESSIONAL LEASE MANAGEMENT, INC. (which is also sole general partner of Borrower) dated as of November 8, 1976 to Continental Illinois National Bank and Trust Company of Chicago.

Also enclosed are three (3) certified true copies each of Railroad Car Lease Agreements dated as of April 15, 1976 between Professional Lease Management, Inc. (Lessor) and Allis Chalmers Corporation (Lessee) covering the lease of Car A and Car B which are the subject of the Security Agreement and Assignment of Rents described in the preceding paragraph.

Enclosed is a cashiers check for \$150.00 payable to the Interstate Commerce Commission, to cover the recording fee of the Security Agreement and the two Lease Agreements.

After the documents have been given a recordation number and the date and hour of recordation stamped thereon, I shall appreciate it if you would forward two sets of documents to my attention at,

Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693
Attn: C. Kosiek - Loan Division

Very truly yours,

C. Kosiek
Loan Division
Telephone: (312) 828-3276

RECEIVED

DEC 15 11 16 AM '77

I.C.C.
FEE OPERATION BR.

CK:GD

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

12/15/77


OFFICE OF THE SECRETARY

C. Kosiek
Continental Illinois Natl. Bank
& Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on 12/15/77 at 11:20am
and assigned recordation number(s)

9124, 9124-A & 9124-B
Sincerely yours,


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

Next time please put the names & address of the parties
in each transation

SE-30-T
(6/77)

DEC 15 1977 11 22 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

(Chattel Mortgage and Assignment of Rents)

THIS SECURITY AGREEMENT (hereinafter sometimes called "this Agreement") dated as of November 8, 1976, among PLM FLAT CAR PROGRAM 1976, a limited partnership organized and existing under the laws of California (hereinafter called "Borrower"), having its office at One Embarcadero Center, Suite 2202, San Francisco, California 94111; PROFESSIONAL LEASE MANAGEMENT, INC., a California corporation having its offices at the same address and being the sole general partner of Borrower (hereinafter called "General Partner"); and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association (hereinafter called "Bank"), having its office at 231 South LaSalle Street, Chicago, Illinois 60693,

W I T N E S S E T H:

WHEREAS, Borrower is indebted to Bank under that certain promissory note of Borrower dated November 8, 1976 in the principal amount of \$210,000.00, payable to the order of Bank (hereinafter called, together with any extension or renewal thereof, the "Note").

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. When used herein the following terms shall have the following meanings:

The term "Collateral" shall mean all property and rights in which a security interest is granted hereunder.

The term "Equipment" shall mean the railroad cars leased by Borrower to Lessee under the Leases (and described in Exhibit A attached thereto), together with any and all accessories, equipment, parts and appurtenances appertaining or attached to any of such Equipment, whether now owned or hereafter acquired, and all substitutions, renewals and replacements of, and additions, improvements, accessories and accumulations to, any and all of such Equipment.

The term "Guaranty" shall mean the guaranty dated November 8, 1976 executed by General Partner in favor of the Bank with respect to the Liabilities.

The term "Leases" shall mean those two certain Railroad Car Lease Agreements both dated April 15, 1976, between General Partner, as lessor, and Allis-Chalmers Corporation, a Delaware corporation, as lessee (hereinafter, together with its successors and assigns, called "Lessee"), as amended on November 3, 1976, to substitute Borrower as lessor, and as further amended from time to time hereafter.

The term "Liabilities" shall mean all obligations of

Borrower under the Note and this Agreement, and all other obligations of Borrower to Bank, its successors and assigns, however created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due.

The term "Rental" shall mean all sums due and to become due Borrower under the Leases or other chattel paper covering the Equipment and shall also mean all accounts receivable arising out of the lease or sale of the Equipment.

The terms "Event of Default" and "event which might mature into an Event of Default" shall have the meanings ascribed to them in Section 7 hereof.

2. GRANT OF SECURITY INTEREST. As security for payment of all Liabilities, Borrower hereby mortgages, transfers and assigns to Bank, and grants to Bank a continuing security interest in and to, the following: all right, title and interest whatsoever of Borrower in and to the Equipment; the Leases and all other chattel paper and all accounts receivable, whether now or hereafter existing or acquired, arising therefrom and all Rental due or to become due in respect of the Equipment; all other property of Borrower the possession of which may at any time now or hereafter be delivered to or for the account of Bank as security for the payment of the Liabilities, including all amounts in Borrower's Restricted Account described in

paragraph 4; and all proceeds of any of the foregoing. The lien and security interest granted to Bank hereunder with respect to the Equipment is hereby expressly declared to be, and shall be, subordinate and subject to the Leases and to the rights of Lessee thereunder.

3. AGREEMENTS OF BORROWER. Borrower agrees with Bank that, except as Bank may otherwise consent in writing, until the Note and all other obligations of Borrower to Bank are paid and performed in full, Borrower will:

3.1 At all times cause the Equipment and every part thereof to be maintained in accordance with the rules and regulations of the American Association of Railroads, and will, within 45 days after knowledge by an officer or responsible employee of Borrower or its General Partner of the occurrence thereof, furnish or cause to be furnished to Bank a statement respecting any loss or damage to any of the Equipment which has not been corrected within 30 days after such knowledge;

3.2 Observe and perform all of its obligations under each Lease;

3.3 Plainly and permanently stencil a legend on each unit of Equipment in letters not less than one (1) inch in height indicating Bank's interest therein, as follows:

"CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY OF CHICAGO, MORTGAGEE."

Borrower further agrees to cause Lessee to replace immediately any such stencilling which becomes illegible, wholly or in part;

3.4 Send Bank, promptly upon receipt thereof, a copy of each notice (including, without limitation, notices regarding termination and purchase options), received from the Lessee under the Leases and will not, without the prior written consent of Bank, permit any amendment or modification to or termination of, waive any provision of, or give any consent pursuant to any Lease;

3.5 Cause each item of the Equipment to be kept insured to such extent and against such hazards and liabilities as is commonly maintained by companies similarly situated. All such insurance shall be maintained with a responsible insurance company or companies, and shall insure, among others, Bank, its successors and assigns as their interest may appear and each policy of such insurance obtained by Borrower shall provide that (a) Bank, its successors and assigns, shall not be responsible for any representation or warranty of Borrower, (b) at least 10 days' prior notice shall be given to Bank of the expiration, termination, alteration or cancellation of such policy, (c) Bank will be promptly notified in the event any premium shall not be paid when due or if such policy shall not be renewed at the expiration thereof. Upon request of Bank, Borrower will deliver to Bank policies of or certificates

evidencing such insurance;

3.6 Not, except for the Leases and this Agreement, sell, loan, pledge, mortgage, assign or otherwise dispose of, or create or suffer to be created any levies, liens or encumbrances on, the Equipment or any interest therein or the Leases or any of the Rental, and will from time to time cause to be paid all liens, taxes, assessments and governmental charges lawfully levied, assessed or imposed upon the Equipment or any interest therein or the Leases or of any of the Rental; provided, however, that (a) nothing herein contained shall be deemed to require any lien, tax, assessment, charge, claim or demand to be paid or discharged prior to the due date thereof, or so long as the validity thereof is being contested by Borrower in good faith by appropriate proceedings, if Borrower shall have set aside on its books adequate reserves with respect thereto and shall cause the same to be paid prior to the foreclosure of any lien which may have attached as security therefor and (b) the Equipment may be sold by Borrower to the Lessee pursuant to the present purchase option in the Leases. Borrower will give Bank notice of any attachment or judicial process affecting the Equipment or the Rental as soon as Borrower has knowledge thereof;

3.7 Maintain and preserve its separate existence as a California limited partnership;

3.8 Pay and discharge all taxes, assessments and

governmental charges or levies against it or against any of its property prior to the date on which penalties attach thereto; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in good faith by appropriate proceedings and if Borrower shall have set aside on its books adequate reserves with respect thereto and shall pay all such taxes, assessments, charges or levies prior to foreclosure of any lien which may have attached as security therefor;

3.9 Furnish to Bank, (i) within 90 days after each fiscal year of Borrower, a copy of the annual unaudited report of Borrower, prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year, (ii) within 45 days after each quarter (except the last quarter) of each fiscal year of Borrower, a copy of its unaudited financial statement similarly prepared, consisting of at least a balance sheet as at the close of such quarter and a profit and loss statement and analysis of surplus for such quarter and for the period from the beginning of such fiscal year to the close of such quarter, and signed by a proper accounting officer of Borrower, and (iii) from time to time, such other information as Bank may reasonably request;

3.10 Not enter into any equipment leasing transaction as lessor other than the Leases, nor acquire the interest of the lessor under any other equipment leasing transaction, nor

engage in any other business, nor incur or permit to exist any indebtedness for borrowed money other than the Liabilities hereunder, nor become a guarantor or surety or pledge its credit for any undertaking of another;

3.11 Not be a party to any merger or consolidation; not, except in the normal course of its business and except for the Leases, sell, transfer, convey, or lease all or any substantial part of its property; and not purchase or otherwise acquire all or substantially all the assets of any person, corporation, or other entity, or any shares of stock of, or similar interest in, any other corporation or entity;

3.12 Indemnify and hold harmless Bank against and from any and all claims, actions, expenses, penalties and liabilities (including, without limitation, reasonable attorneys' fees and legal expenses) of whatsoever nature (including, without limitation, those involving infringement or alleged infringement of patents or patent licenses), arising out of or resulting from the use by Borrower or the Lessee, or agents or employees of any thereof, of the Equipment or any alteration thereof or any addition or attachment thereto, and such obligation shall survive the termination of this Agreement; and

3.13 Grant Bank at all times the right, subject, however, to the terms of the Leases, to enter into and upon any premises where the Equipment is located for the purposes of inspecting

the same, observing its use or otherwise protecting Bank's interest therein.

3.14 Furnish to Bank from time to time upon the request of Bank such information as Bank shall reasonably request, including, without limitation, full information pertinent to any covenant, provision or condition hereof, or to any matter in connection with its business, and at all reasonable times and as often as Bank may reasonably request, permit any authorized representative designated by Bank to visit and inspect at the expense of Bank any of the properties of Borrower, including its books, and to make extracts therefrom, and to discuss the affairs, finances and accounts of Borrower with its officers;

3.15 Notify Bank promptly of any material adverse change in its financial condition, of the occurrence of an Event of Default hereunder or of the filing of any suit or proceeding in which an adverse decision could have a material adverse effect upon Borrower or its business; and

3.16 Not make any distribution to General Partner or any limited partner in respect of any partnership interest unless and until all management or other fees due General Partner from Borrower shall have been fully paid.

4. PAYMENT OF RENTAL TO BANK. Borrower shall notify and direct Lessee to make all payments of Rental directly to

Bank, at such address as Bank may designate. In the event Borrower receives payment of any Rental, it will forthwith, upon receipt, transmit and deliver to Bank, in the form received, all cash, checks, drafts or other instruments therefor.

Bank may endorse the name of Borrower on any check, draft or other instrument for the payment of money received by Bank on account of any Rental or Equipment, or otherwise as proceeds of any Collateral, if it believes such endorsement is necessary or desirable for purposes of collection. Bank may also at any time enforce collection of any of the Rental, by suit or otherwise, and compromise or extend or renew for any period or any portion thereof. Borrower will reimburse Bank for all expenses, including (without limitation) reasonable attorneys' fees and legal expenses, incurred by Bank in seeking to collect any Rental or enforce any rights under any Lease.

Borrower will indemnify and save harmless Bank from and against all liabilities and expenses on account of any adverse claim asserted against Bank to any Rental or other moneys received by Bank from the Lessee under the Leases and such obligation of Borrower shall continue in effect after and notwithstanding the discharge of the Liabilities and the release hereof.

All Rental received by Bank pursuant to the provisions hereof, all insurance proceeds received by Bank on account of

any loss, damage or destruction to the Equipment and all other amounts received by Bank pursuant to this Agreement shall be deposited by Bank in a special cash collateral special deposit account in the name of Borrower maintained by Bank (hereinafter called "Borrower's Restricted Account") and applied as follows: On each date on which an installment payment is due and payable by Borrower under the Note (hereinafter called a "Note installment date"), Bank may apply any moneys then on deposit in Borrower's Restricted Account, which application, if made, shall be made to the payment of the installment or installments then due under the Note; provided, however, that if on the Note installment date any Event of Default has occurred and is continuing, such moneys may be applied in such order of application as Bank may determine to any unpaid installments on the Note (whether or not then due and payable) and to any other amounts payable by Borrower under this Agreement. If on the Note installment date no Event of Default, and no event which might mature into an Event of Default, has occurred and is continuing, Bank shall, after applying any moneys as aforesaid, pay for and on behalf of Borrower and as directed by Borrower out of such moneys (and solely to the extent such moneys are available) to General Partner, (i) the greater of \$5,000 or one-half (1/2) of any property acquisition fee due to General Partner from Borrower with respect to Equipment and not previously paid, and (ii) the monthly management fee due to General Partner from Borrower with respect to Equipment.

Any remainder in Borrower's Restricted Account, after applying any moneys as aforesaid, shall be remitted by Bank to Borrower. If the Available Balance is not so remitted by reason only of the fact that an event which might mature into an Event of Default has occurred and is continuing, Bank shall, if so requested by Borrower, apply the Available Balance to prepayment of the Note, in such order of application, consistent with the provisions hereof, as Bank may determine.

Any amount of moneys in Borrower's Restricted Account to be remitted by Bank to Borrower shall be so remitted by crediting such amount to a general deposit account maintained by Borrower with Bank, unless Borrower otherwise directs. Bank shall not be liable for any interest on any moneys deposited with it pursuant to this Agreement. Nothing contained herein shall preclude the deposit of any other amounts in the Restricted Account. Bank shall render to Borrower monthly advices of debits and credits to such Account.

5. WARRANTIES OF BORROWER AND GENERAL PARTNER. Borrower and General Partner each severally warrant to Bank that:

5.1 Borrower is a limited partnership duly organized and existing and in good standing under the California Uniform Limited Partnership Act, with full power and authority to enter into this Agreement, to perform its obligations hereunder and under any instrument executed pursuant hereto, to own and operate

its properties and to carry on its business as presently conducted and as proposed to be conducted;

5.2 Borrower has furnished to Bank copies of the Agreement of Limited Partnership (including the application forms of the limited partners of Borrower) of Borrower and of the Certificate of Formation of Borrower, and such documents as submitted have not been further amended, are in effect and legally valid.

5.3 General Partner is the sole general partner of Borrower and has the power and authority to act as general partner of the Borrower; all action necessary to constitute General Partner as Borrower's general partner has been duly taken; General Partner has power and authority to execute, deliver and perform this Agreement and the Leases and execute and deliver the Note on behalf of Borrower, and to take any other action on Borrower's behalf which is required of Borrower by this Agreement; and all such actions by General Partner are and will be legally binding on Borrower.

5.4 No litigation or governmental proceedings are pending, or, to the knowledge of Borrower, threatened, against or affecting Borrower, and Borrower has no contingent liabilities not provided for or disclosed in the financial statement referred to in Section 5.6 hereof;

5.5 Borrower is not in default in the payment of any

indebtedness representing any borrowing or financing or any other material indebtedness or under any law or governmental regulation, agreement or other instrument or court decree or order materially affecting its property or business, or aware of any facts or circumstances which would give rise to any such default;

5.6 The execution and delivery of this Agreement and the Note do not, and the performance by Borrower of its obligations under this Agreement and the Note will not, nor will the loan represented by the Note, violate the provisions of any applicable law, including, without limitation, any law relating to usury, or of any order or regulation of any governmental authority, and will not conflict with or result in a breach of any of the terms of any agreement or instrument to which Borrower is a party, or by which it is bound, or constitute a default thereunder, or result in the creation of a lien, charge or encumbrance of any nature upon any of its property or assets (except as contemplated hereby), or result in the acceleration of the maturity of any debt of Borrower;

5.7 Borrower's unaudited financial statement as at September 30, 1976, a copy of which has been furnished to Bank, has been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year and presents fairly the financial condition of Borrower as at such date, and since such date there

has been no material adverse change in its financial condition;

5.8 This Agreement, the Leases and the Note are the legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability generally of rights of creditors;

5.9 Duly executed counterparts of the Leases and photocopies of written acceptance of the Equipment by the Lessee have been delivered to Bank and there are no defaults existing or, to the knowledge of Borrower threatened, under the Leases;

5.10 The Equipment has been shipped or delivered to the Lessee and the first payment of Rental is due under each of the Leases;

5.11 The Equipment is in good condition, repair and working order and is not attached or to be attached to realty in any manner which might adversely affect the security value to the Bank of the Equipment;

5.12 The Leases are the legal, valid, binding and enforceable obligations of the Lessee;

5.13 Borrower is the lawful owner, free and clear of all liens and encumbrances (except any security interest or lien granted pursuant hereto in favor of Bank and any purchase

money security interest of the manufacturer of the Equipment, which shall be fully discharged on the date hereof), to the maximum extent permitted by law, of the Leases, the Equipment and of all sums due and to become due Borrower under the Leases, and such ownership interest is protected against all persons whomsoever, to the maximum extent permitted by law, except for (i) the rights under the Leases of the Lessee to use the Equipment during the term of the Leases and to purchase the Equipment pursuant to the present purchase option contained therein, and (ii) any security interest or lien granted pursuant hereto in favor of Bank;

5.14 Borrower and the Lessee have made no agreement with respect to the Leases or with respect to the Equipment leased thereunder other than as set forth in the Leases;

5.15 No sum due or to become due under the Leases from the Lessee is subject to any existing offset, counter-claim or other defense on the part of the Lessee; and

5.16 All factual information heretofore or contemporaneously furnished by or on behalf of Borrower in writing to Bank is true and accurate in every material respect.

6. WARRANTIES AND AGREEMENTS OF GENERAL PARTNER. General Partner warrants to Bank and agrees that:

(a) It is a corporation duly organized and existing

under the laws of the State of California.

(b) It has the power and is duly authorized to execute, deliver and perform its obligations under this Agreement and the Guaranty, and all, necessary corporate action has been taken to authorize such actions.

(c) The execution and delivery of this Agreement and the Guaranty, and the performance by it of its obligations arising hereunder and thereunder, do not and will not conflict with any provision of law including any law relating to usury or of its charter or by-laws or of any agreement binding upon it.

(d) Sales of pre-organization subscriptions for units of limited partnership interests in Borrower were made in all respects in accordance with all applicable Federal and state securities laws, including, without limitation, the Securities Act of 1933.

(e) Its audited financial statement as at December 31, 1975, a copy of which has been furnished to Bank, has been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year and presents fairly its financial condition as at such date, and since such date there has been no material adverse change in its financial condition. It will furnish to Bank, (i) within 90 days after each fiscal year of General

Partner, a copy of the annual audited report of General Partner prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year, and signed by independent certified public accountants satisfactory to Bank, and (ii) within 45 days after each quarter (except the last quarter) of each fiscal year of General Partner, a copy of its unaudited financial statement similarly prepared, consisting of at least a balance sheet as at the close of such quarter and a profit and loss statement and analysis of surplus for such quarter and for the period from the beginning of such fiscal year to the close of such quarter, and signed by a proper accounting officer of General Partners.

7. EVENTS OF DEFAULT. Each of the following shall constitute an "Event of Default" under this Agreement:

(a) Default, and continuance thereof for 10 days, in the payment of any principal or interest on the Note;

(b) Any indebtedness of Borrower or General Partner becomes or is declared to be due and payable prior to its expressed maturity by reason of any default by Borrower or General Partner in the performance or observance of any obligation or condition;

(c) Borrower or General Partner becomes insolvent or admits in writing its inability to pay its debts as

they mature or applies for, consents to, or acquiesces in the appointment of a trustee or receiver for Borrower or General Partner or any property thereof; or, in the absence of such application, consent, or acquiescence, a trustee or receiver is appointed for Borrower or General Partner or for a substantial part of the property of either and is not discharged within 30 days; or any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against Borrower or General Partner and, if instituted against Borrower or General Partner, is consented to or acquiesced in by Borrower or General Partner or remains for 30 days undismissed;

(d) Default in the performance of any of the agreements of Borrower or General Partner herein set forth (and not constituting an event of default under any of the preceding subsections of this Section 7) and continuance of such default for 30 days after notice thereof to Borrower or General Partner from Bank or the holder of the Note;

(e) Any warranty made by Borrower or General Partner herein is untrue in any material respect, or any schedule, statement, report, notice or writing furnished by Borrower or General Partner to Bank is untrue in any material

respect on the date as of which the facts set forth are stated or certified; or

(f) Any governmental board, agency, department or commission takes possession or control of a substantial part of the property of Borrower or General Partner and such possession or control continues for 30 days.

The term "event which might mature into an Event of Default" shall mean any event which with the lapse of time, or with notice to Borrower or General Partner and lapse of time, would constitute an Event of Default.

8. REMEDIES ON DEFAULT. Whenever an Event of Default shall have occurred, Bank may exercise any one or more or all, and in any order, of the remedies, hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) Bank may, by notice in writing to Borrower declare the entire unpaid balance of the Note to be immediatley due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to then existing rights, if any, of the Lessee under the Leases, Bank, personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Equipment, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of Borrower, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate the same until sold; it being understood, without limiting the foregoing, that Bank may, and is hereby given the right and authority to, keep and store said Equipment, or any part thereof, on the premises of Borrower, and that Bank shall not thereby be deemed to have surrendered, or to have failed to take, possession of such Equipment;

(c) Subject always to then existing rights, if any, of the Lessee under the Leases, Bank may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to Borrower once at least

10 days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Equipment, or any part thereof, at public auction or private sale to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as Bank may determine, and at any place (whether or not it be the location of the Equipment or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, without further published notice; and Bank or the holder or holders of any Note, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Bank may proceed to protect and enforce this Agreement and the Note by suit or suits or proceedings in equity, at law or in pending bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Equipment or any part thereof, or for the recovery of judgment for the indebtedness hereby secured, or for the enforcement of any other proper legal or equitable remedy available under applicable law;

(e) Bank may proceed to exercise in respect of any Lease and the Equipment covered thereby and the duties, obligations and liabilities of the Lessee thereunder, all rights, privileges and remedies in said Lease or by applicable law permitted or provided to be exercised by Borrower, and may exercise all such rights and remedies either in the name of Bank or in the name of Borrower for the use and benefit of Bank; or

(f) Bank may sell the Rental reserved under any Lease, and all right, title and interest of Bank as assignee thereof, at public auction to the highest bidder and either for cash or on credit, Bank to give Borrower 10 days' prior written notice of the time and place of holding any such sale, and provided always that Bank shall also comply with any applicable mandatory legal requirements in connection with such sale.

Any sale or sales pursuant to the provisions hereof or pursuant to any legal proceedings, shall operate to divest Borrower of all right, title, interest, claim and demand whatsoever, either at law or in equity, of, in and to the Equipment so sold, and shall be free and clear of any and all rights of redemption by, through or under Borrower, Borrower hereby covenanting and agreeing that it will not at any time insist upon or plead, or take the benefit or advantage of or

from, any law now or hereafter in force providing for a valuation or appraisement of the Equipment prior to any sale or sales thereof or providing for any right to redeem the Equipment or any part thereof. The receipt by Bank, or by any person authorized under any judicial proceeding to make any such sale, shall be a sufficient discharge to any purchaser of the Equipment, or of any part thereof, sold as aforesaid; and no such purchaser shall be bound to see to the application of such purchase money, or be bound to inquire as to the authorization, necessity or propriety of any such sale. In the event at any such sale the holder or holders of the Note is or are the successful purchaser or purchasers, such holder or holders of the Note shall be entitled, for the purposes of making settlement or payment, to use and apply said Note by crediting thereon the amount apportionable and applicable thereto out of the net proceeds of such sale.

Bank shall notify Borrower of any intended disposition by Bank of any of the Collateral, and such notification shall be deemed reasonably and properly given for all purposes if given at least 10 days before such disposition. Any proceeds of any disposition by Bank of any of the Collateral may be applied by Bank to the payment of expenses in connection with the Collateral, including, without limitation, reasonable attorneys' fees and legal expenses, and any balance of such proceeds shall be deposited in the Restricted Account of

Borrower, hereinbefore provided for, and shall be applied in payment of the Note as Bank in its sole discretion may determine, and Borrower shall continue obligated for all Liabilities remaining unpaid after such application.

9. PERFORMANCE BY BANK OF OBLIGATIONS OF BORROWER.

Bank may from time to time, at its option, perform any obligation to be performed by Borrower hereunder which Borrower shall fail to perform, and may take any other action which Bank deems necessary for the maintenance or preservation of any of the Collateral or its security interest in the Collateral. All moneys advanced by Bank in connection with the foregoing, together with interest at the rate in effect from time to time under the Note, shall be repaid by Borrower to Bank, upon the latter's demand, and shall be secured hereby prior to any other indebtedness or obligation secured hereby, but the making of any such advance by Bank shall not relieve Borrower of any default hereunder.

10. MISCELLANEOUS. Bank does not assume any obligation or liability to the Lessee, and any such assumption is hereby expressly disclaimed; provided, however, that the interest of Bank hereunder is, to the extent hereinabove provided, subordinated and subject to the Leases.

Bank shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in

its possession if it takes such action for that purpose as Borrower requests in writing, but failure of Bank to comply with any such request shall not in itself be deemed a failure to exercise reasonable care, and no failure of Bank to preserve or protect any rights with respect to any Collateral against prior parties or to do any act with respect to the preservation of any Collateral not so requested by Borrower, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

Borrower agrees with Bank to promptly pay, or reimburse Bank for the payment of, all fees and out-of-pocket expenses for the filing or recording of any security instrument which Bank determines should be filed or recorded adequately to protect the interests of Bank.

Any notice or other communication hereunder to either party shall be in writing and delivered or mailed to it at its address as set forth above; provided that either party may by notice to the other designate a changed address for such party. Any such notice, if mailed properly addressed, shall be deemed given on the third banking business day of Bank after mailing in Illinois, postage prepaid, registered or certified mail.

No failure or delay on the part of Bank in the exercise of any right or remedy hereunder or under any other instrument or otherwise shall operate as a waiver thereof, nor shall any

single or partial exercise of any such right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if, for any reason whatsoever, any one or more of the provisions of this Agreement shall be held or deemed to be inoperative, unenforceable or invalid as applied to any particular case or cases in any particular jurisdiction or jurisdictions or in all jurisdictions or in all cases, such circumstance shall not have the effect of rendering such provisions inoperative, unenforceable or invalid in any other jurisdiction or in any other case or of rendering any of the provisions of this Agreement inoperative or invalid.

This Agreement shall be a contract made under and governed by the internal laws of the State of Illinois.

Borrower shall pay reasonable attorneys' fees incurred by Bank in connection with the preparation of this Agreement.

This Agreement shall be binding upon and inure to the

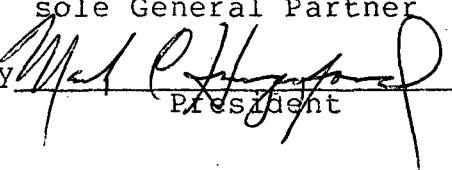
benefit of the parties hereto and their respective successors and assigns and, without limiting the foregoing, all rights and powers hereunder or with respect hereto of Bank, or any agent or representative of Bank, may be exercised by any successor or assignee of Bank or any agent or representative of such successor or assignee.

Borrower shall cause this Agreement (and all amendments hereto) to be filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act.

IN WITNESS WHEREOF, this Agreement has been duly executed first by Borrower and General Partner at San Francisco, California, and finally by the Bank at Chicago, Illinois as of the day and year first above written.

PLM FLAT CAR PROGRAM 1976
By PROFESSIONAL LEASE MANAGEMENT, INC.,
sole General Partner

By


President

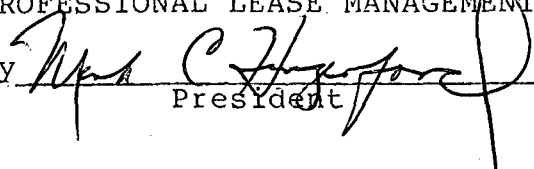
[CORPORATE SEAL]

ATTEST:


Assistant Secretary

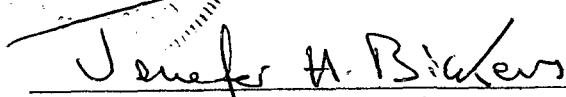
PROFESSIONAL LEASE MANAGEMENT, INC.

By


President

[CORPORATE SEAL]

ATTEST:


Assistant Secretary

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

By

James R. Coulter
Vice President

Affect


L. Richard Cole

COMMERCIAL BANKING OFFICER

LESSEE'S ACKNOWLEDGEMENT

The undersigned, the Lessee under the Leases, hereby
(i) acknowledges that it has received a copy of the foregoing
Security Agreement and (ii) agrees to pay all Rental under the
Leases directly to Bank as provided in the Security Agreement.

ALLIS-CHALMERS CORPORATION

By 
~~Vice President~~ ~~Treasurer~~
M. W. BABB
ASSISTANT TREASURER

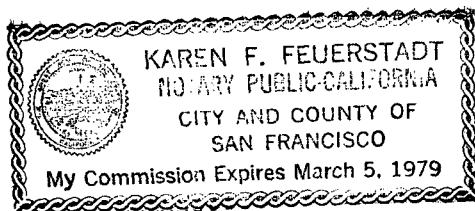
State of California)
County of San Francisco) SS:

On this 15th day of November, 1976, before me personally appeared Mark C. Hungerford, to me personally known, who being by me duly sworn, says that he is the President of Professional Lease Management, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation, in its own right and also as general partner of PLM Flat Car Program 1976, by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]

Karen F. Feuerstadt
Notary Public

My commission expires March 5, 1979



County of Cook)

of said bank.

Notary Public

My commission expires 5-22-78